GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:715
ANSWERED ON:21.02.2003
FDI RULES
V. VETRISELVAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Reserve Bank of India is incorporating many new components in the FDI basket in line with international practices;

(b) if so, the details thereof; and

(c) the extent to which India`s foreign direct investment is expected to rise as a result thereof?

Answer

Minister of State in the Ministry of Finance & Company Affairs (Shri Anandrao V. Adsul)

(a)to(c): The Foreign Direct Investment (FDI)data released by RBI only accounts for cash acquisition of equity and preference share capital, whereas the International Monetary Fund (IMF) / Organisation for Economic Cooperation & Development(OECD) definition of FDI includes apart from equity capital, reinvested earnings and intra-company debt transactions between related entities.

Department of Industrial Policy & Promotion (DIPP) constituted a committee with representatives from DIPP and RBI which has recommended that the components of FDI should be incorporated in terms of the norms prescribed by the IMF.

According to a recent study conducted by International Finance Corporation (Washington), adoption of international standards for computation of FDI would raise India`s net annual FDI inflows from US$ 2-3 billion to about US$ 8 billion.